



CITY OF SAN MATEO

City Hall
330 W. 20th Avenue
San Mateo CA 94403
www.cityofsanmateo.org

Agenda Report

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TO: City Council
FROM: Alex Khojikian, City Manager
PREPARED BY: Public Works Department
MEETING DATE: March 3, 2025
SUBJECT:
2025 Solid Waste Collection Rates - Rate Increase and Appropriation

RECOMMENDATION:

Adopt a Resolution to establish maximum rates for solid waste, recycling, and organics collection for rate year 2025 and adopt a Resolution to appropriate \$400,000 from the Solid Waste Fund unassigned fund balance to remit to Recology by September 30, 2025 to reduce the City's balancing account deficit.

BACKGROUND:

The City's Solid Waste Program (Program) includes waste diversion, compost/recycling education and outreach, special collection events, construction and demolition recycling plan processing, litter reduction programs, illegal dumping abatement, and hazardous materials management, and ensures compliance with all county, regional, state, and federal regulations. Solid waste, recycling, and organics collection, processing, and disposal services are available to all residents and commercial businesses in the City of San Mateo. The City is one of eleven local jurisdictions who are part of the joint powers authority, South Bayside Waste Management Authority (SBWMA), which oversees various aspects of solid waste services and programming for all members.

Each year, Council approves the solid waste rates to cover the costs of the collection services provided by Recology San Mateo County (Recology); the processing and disposal services provided by South Bayside Industries, Inc. (SBI); the City's portion of the costs of membership in the joint powers authority, SBWMA; and the City fees, which include the City's solid waste program, street sweeping, litter reduction, and illegal dumping programs, trash capture device maintenance, and franchise fees. The City retains HF&H Consultants (HF&H) to assist in developing a rate structure to fund the cost of solid waste services.

In 2021, the City adopted a long-term plan for incremental adjustment to the residential solid waste rates to bring them into alignment over time with their true cost of service. Collection costs in 2025 are increasing eight percent compared to 2024. Recology's annual compensation is set by the exclusive franchise agreement between the City and Recology. The agreement was renewed in 2019 and will expire in 2035. The cost increase is a result of the decision of the City Council last year to defer \$492,000 from 2024 to 2025, as allowed under the franchise agreement. That decision lowered rates in 2024 but must be accounted for this year.

The franchise agreement allows for inflationary increases to Recology's collection expenses: fuel costs, labor costs, vehicle maintenance costs, and other costs. Recology's annual compensation increases are reviewed and approved by the Board of Directors of the SBWMA of which the City is a member. After review, the SBWMA Board of Directors found the proper inflation factors were used to determine Recology's allowable compensation for 2025 and the increases were approved.

The processing and disposal fees set by the SBWMA are increasing by seven percent in 2025. The cost increase is a result

of a partial deferral of the scheduled 2024 tip fee increases, because last year, the SBWMA Board of Directors used rate stabilization reserves to temporarily reduce tip fee increases by five percent in order to smooth out 2024's necessary rate increases. However, these costs remain and have been accounted for in the 2025 tip fee increases. Processing and disposal fees by the Shoreway Environmental Center operator, South Bayside Industries, are established by their agreement with the SBWMA.

Maintaining current rates to meet the 2025 projected expenses described above would lead to an anticipated deficit of \$1,912,693. However, staff worked to lower the deficit to \$1,581,360. The reduction is a result of reducing Recology's compensation by \$331,333 through a one-year deferral of increases above five percent as was used in 2024. Such deferral will require City Council approval of the "Cap Carry Forward" option described below.

On January 13, 2025, City Council provided direction to establish the following 2025 customer rate increases to address the revenue shortfall:

1. Adopt the "Cap Carry Forward" option allowed under the City's franchise agreement which will limit Recology's compensation to a 5 percent increase from the previous year's compensation. This will defer \$331,333 of Recology's compensation until 2026 without incurring interest in the City's balancing account with Recology. If approved, staff will notify the SBWMA and Recology as required under the franchise agreement. The alternative would require an additional \$331,333 to be raised through rates in 2025. Given that the \$331,333 is an estimate based on the number of subscribers and associated levels of service, which change regularly as residents start, stop, or change service, staff is proposing Council authorize an appropriation of \$400,000 to be remitted to Recology per the attached Resolution (Attachment 2).
2. Raise the 20-gallon commercial cart monthly rate by \$6.50 for solid waste service, as well as organics service, as shown in Table A. Raise the 32-gallon commercial cart monthly rate by \$5.75 for solid waste service, as well as organics service, as shown in Table B. No additional commercial rate increases are recommended because the current commercial rates cover their costs. After this increase, all commercial cart rates will meet their true cost of service.
3. Raise residential rates by a range of \$7.50-9.00 per month, based on the cart size options presented in Table C. The Solid Waste Fund has sufficient reserves to reduce the impact on rate payers in 2025. However, the use of reserves acts only as a one-time rate relief as the revenue requirement remains the same going forward into future years.

Tables A and B below summarize the current and proposed 2025 commercial solid waste and organic collection rates, respectively. Table C summarizes the current and proposed 2025 residential rates. These rates include collection, processing, and disposal of garbage, recycling, and organics. Detailed proposed rates for various service levels are included in Exhibit A.

Table A – PROPOSED 2025 Commercial Solid Waste Rate Changes

Size of Collection Cart/Bin	2024 Current Monthly Rate	Proposed 2025 Monthly Rate	Monthly Difference
Commercial Cart Rates			
20 Gallon Cart	\$28.34	\$34.84	\$6.50
32 Gallon Cart	\$37.18	\$42.93	\$5.75
64 Gallon Cart	\$64.26	\$64.26	\$0.00
96 Gallon Cart	\$94.47	\$94.47	\$0.00
Commercial Cart Rates			
1 Yard	\$170.18	\$170.18	\$0.00
2 Yard	\$340.45	\$340.45	\$0.00
3 Yard	\$510.65	\$510.65	\$0.00
4 Yard	\$680.90	\$680.90	\$0.00
6 Yard	\$1,021.31	\$1,021.31	\$0.00

Table B – PROPOSED 2025 Commercial Organic Rate Changes

Size of Collection Cart/Bin	2024 Current Monthly Rate	Proposed 2025 Monthly Rate	Monthly Difference
Commercial Cart Rates			
20 Gallon Cart	\$28.34	\$34.84	\$6.50
32 Gallon Cart	\$37.18	\$42.93	\$5.75
64 Gallon Cart	\$64.26	\$64.26	\$0.00
96 Gallon Cart	\$94.47	\$94.47	\$0.00
Commercial Cart Rates			
1 Yard	\$170.18	\$170.18	\$0.00
2 Yard	\$340.45	\$340.45	\$0.00
3 Yard	\$510.65	\$510.65	\$0.00
4 Yard	\$680.90	\$680.90	\$0.00
6 Yard	\$1,021.31	\$1,021.31	\$0.00

Table C – PROPOSED 2024 Residential Solid Waste Rate Changes

Size of Collection Cart/Bin	2024 Current Monthly Rate	Proposed 2025 Monthly Rate	Monthly Difference
Residential Cart Rates			
20 Gallon Cart	\$28.59	\$36.09	\$7.50
32 Gallon Cart	\$37.93	\$45.93	\$8.00
64 Gallon Cart	\$63.93	\$72.43	\$8.50
96 Gallon Cart	\$94.08	\$103.08	\$9.00

Balancing Account:

In accordance with the City's franchise agreement, Recology maintains a balancing account which tracks the annual surplus or deficit between what Recology is owed and what the City collects from solid waste rates. Deficits increase the balancing account shortfall and are charged interest. City Council direction has been to keep the balancing account as low as possible to avoid excessive interest charges.

Based on discussions with the Finance Department, the Solid Waste Fund has \$4.4 million available for rate stabilization and to reduce the balancing account deficit.

Rate Setting Procedures:

While the courts have not ruled that Proposition 218 applies to solid waste collection rates from a franchise hauler, in an abundance of caution, the City has historically followed the "majority protest" proceedings set forth in Proposition 218. Accordingly, at City Council's direction, staff mailed the attached public notification of the proposed maximum increase in solid waste rates to property owners on January 17, 2025 (Attachment 3). The notification instructed property owners wishing to submit a written protest that they must state the purpose of the letter; include the owner or customer's name, service address, assessor's parcel number, and the owner's or customer's signature for the property served; and mail the statement to the Office of the City Clerk. Statements of protest that include the above criteria will be accepted through the time of the public hearing.

At the end of the public hearing, the City Clerk will tally and report the qualifying written protests, and the City Council will certify whether the written protests in opposition to the increase meet or do not meet the majority protest threshold. In accordance with Article XIII D, Section 6, of the California Constitution, a "majority protest" exists if written protests against

the proposed fee or charge are presented by a majority of owners of the identified parcels. If a majority protest is not received, the City Council may then approve adoption of the increased rates. If a majority protest is received, the City cannot increase the rates and the rates will remain unchanged.

Assuming a majority protest does not exist, staff recommends Council adopt the proposed Resolution (Solid Waste Rate Setting - Attachment 1) establishing the above-referenced solid waste rates and the proposed Resolution (Recology Remittance - Attachment 2) appropriating \$400,000 from the Solid Waste Fund unassigned fund balance to be remitted to Recology for the balancing account deficit.

BUDGET IMPACT:

If the proposed rate adjustments are approved, adjustments will be incorporated into future recommended budgets. The proposed resolution approves an appropriation of \$400,000 from the Solid Waste Fund unassigned fund balance to remit funds to Recology to address the deficit in the City's balancing account.

ENVIRONMENTAL DETERMINATION:

This action by the City in setting the maximum rates to be charged by Recology San Mateo County relates to funding an on-going solid waste collection service and is not a project subject to CEQA, because it is a government fiscal activity which does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment. (CEQA Guidelines Section 15378(b)(4).)

NOTICE PROVIDED

Notice of the proposed maximum increase in solid waste rates and the March 3, 2025, notice of public hearing were mailed to all property owners and Recology customers on January 17, 2025. This meets the 45-day notification requirement.

ATTACHMENTS

Attachment 1 – Proposed Resolution – Solid Waste Rate Setting

Attachment 2 – Proposed Resolution – Recology Remittance

Attachment 3 – Notice of Public Hearing

STAFF CONTACT

Jack Johnson, Waste Management Supervisor

jjohnson@cityofsanmateo.org

650-522-7346